

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Jeff Suntken,**  
Appellant,

**v.**

**Sioux City Board of Review,**  
Appellee.

**ORDER**

**Docket No. 13-107-0069**  
**Parcel No. 444585**

On December 3, 2013, the above-captioned appeal came on for telephone hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Appellant Jeff Suntken was self-represented. Attorney Jack Faith represented the Board of Review. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

***Findings of Fact***

Jeff Suntken is the owner of property located at 1405 Grandview Boulevard, Sioux City, Iowa. The real estate was classified commercial on the January 1, 2013, assessment and valued at \$52,000, allocated as \$8000 in land value and \$44,000 in improvement value. Suntken protested his assessment to the Sioux City Board of Review on the ground the property was assessed for more than authorized by law under Iowa Code section 441.37(1)(a)(2). He asserted the correct value was \$35,000. The Board of Review denied the protest. Suntken then appealed to this Board reasserting his claim.

The property record card indicates the subject is a three-family conversion. It is a two-story frame property built in 1900. The property record card indicates the subject has 1392 square feet. Although the property record card itself does not list basement finish, the notes section of the property record card indicates basement finish including three rooms and a bath area. Further, at hearing

Suntken testified that the basement was finished with one unit. There is also an enclosed entry to the basement. The site is 0.144 acres.

Suntken submitted a multiple listing sheet (MLS) for fourteen properties to the Board of Review. He did not address all of these properties to this Board; rather, he submitted five comparable properties for consideration of his claim. The chart below provides a brief summary of Suntken's evidence.

Address	Units	Living Area	2013 Assessed Value	Sale Price	Sale Date	Sale Conditions
Subject	3	1392	\$52,000	N/A	N/A	N/A
310 14th St	3	2032	\$35,300	\$15,840	Unknown	Unknown
308 14th St	3	1664	\$31,400	\$15,840	Unknown	Unknown
1318 Grandview	4	1664	\$47,600	N/A	N/A	N/A
1320 Grandview	4	3024	\$63,700	\$40,000	Aug-13	Contract
1119 Jennings	3	2400	Unknown	\$15,500	Oct-12	Bank Sale

Suntken submitted an MLS report for the properties located at 310 14th Street, 308 14th Street, and 1119 Jennings. He submitted a partial printout from the Sioux City Assessor's Beacon website for 1318 Grandview and 1320 Grandview.

According to the MLS reports, 310 14th Street and 308 14th Street both sold for \$15,840 each but the date of sale was not reported. Suntken noted that 310 14th Street was "considered a fixer upper." The city purchased the property and then tore it down. Similarly, the city also purchased 308 14th Street and tore it down. Because the purchaser immediately razed the improvements, these sales are more reflective of land sales than improved sales and we do not find them relevant. Further, because the purchaser was a government entity it is considered an abnormal sale condition.

According to Suntken, 1318 Grandview is located a half block from the subject property and he used to own it, so he is aware of the unit layout. He believes it similar in size, shape, and utility. Suntken also notes this property has a four units compared to his property, which only has three; yet its assessment was reduced from 2012 to 2013 and is assessed for less than his three-unit property. The

Beacon sheet indicates Suntken purchased the property in 2005 for \$70,000. That transaction included other separately parceled properties. Further, the Beacon sheet indicates Suntken fulfilled his 2005 contract in July 2007, and resold the property shortly after in July 2007 for \$56,950.

1320 Grandview is located across the street from the subject property and was previously owned by Suntken. It has four units and 3024 square feet of living area compared to the subject, which has 1392 square feet of living area. Suntken testified he sold this property to Jose Chavez in 2006. The Beacon sheet reports Suntken was the buyer of the property after he had sold it to Chavez; he is unclear why the transfer history shows that record. He was clear he sold the property to Chavez and that was the only transfer that occurred. Chavez sold the property in August 2013 for \$40,000, on contract.

Lastly, the MLS report indicates 1119 Jennings was a bank-owned property at the time of its sale in October 2012 for \$15,500. Further, factual information about this property, such as its size is uncertain. One area of the MLS report indicates this property has 1175 square feet of total living area; however another area of the MLS report indicates it has three units, each with 800 square feet for a total living area of 2400 square feet.

Suntken also pointed out that all of the properties assessed values are less than his assessed value. This assertion is more of an equity claim under section 441.37(1)(a)(1), which is not before this Board.

Rochelle Lundy, a Realtor with Property Pro's in Sioux City, with eighteen years' experience, testified on behalf of Suntken. Lundy testified that she assists Suntken in finding properties to purchase with the intent of making a profit. She indicated the subject is located in the downtown area where it is difficult to get good renters and the renters they do get are "a little rough" on the property. She also explained that within the last year, there has been an increase in the renter pool because so many people are losing their homes, however she still considers the market to be declining.

Lundy stated she had looked over the data Suntken provided and based on it, believes the value on his property is high. However, Lundy did not provide any of her own evidence or an opinion of the fair market value for the subject property, as of January 1, 2013. For this reason, we find her testimony offers minimal relevance.

Sioux City Assessor Al Jordan testified for the Board of Review. In determining the fair market value of the subject property, Jordan explained his office considered all three approaches to value. He explained the subject property is a conversion and defined a conversion as “about a 100-year old house,” which has been converted to apartments. He further explained conversions typically have had multiple modifications over the years to accommodate different configurations and extend the economic life.

Jordan explained the cost approach was inconclusive because of the multiple modifications that are typical to this to this property type. In his opinion, the resulting functional and economic obsolescence associated with the utility of conversions as well as the location of the properties results in inconsistent and unreliable cost estimates for this property type.

Regarding the sales comparison approach, Jordan testified the sales prices for conversions vary widely for many reasons. He explained one reason is due to the financial state of the buyers and sellers; as well as the fact there is no institutional financing available for these types of properties or, if there is, it is at a very high interest rate. Further, he has found the statistics show no correlation, or very loose correlation, between sales prices and size. This Board questioned Jordan about the comparison of the sales prices of the properties offered by Suntken, which seem to be less than the assessments, and how he reconciled this with the valuation process. Jordan explained that his office has looked at hundreds of multi-family sales, and there is no consistent unit of measurement. The properties are often in disrepair and the buyer refurbishes it to rent the units, but there are no permits.

According to Jordan, this makes it impossible to figure out what sold; the motivations of the buyers and sellers; and lastly, because there is typically no market financing, there is no appraisal to consider.

Additionally, the properties vary in size, as well as in the number and type of units. Some properties may have a 300 square-foot two-bedroom unit, whereas another similar conversion may have a 1300 square-foot two-bedroom unit. Given the diversity of properties, it results in an inconsistent comparison on either a per-square-foot, or unit basis. For these reasons, Jordan's office does not rely on the sales comparison approach to value conversion properties like the subject.

Jordan asserts the best and most consistent indicator of value for this property type is the income approach. The income approach was based on a survey of income properties like the subject that was completed in 2009, 2011, and 2013 of income and expenses then compared to sales prices. Income and expense questionnaires were sent to all multi-family properties; including Suntken, who returned the questionnaire to the assessor's office with his property's information. The compiled results were used to arrive at the assessed valuations. Jordan explains there was very little difference between 2009 and 2013 regarding income and expenses with very little change in the market. We note that this statement conflicts with 2009 to 2013 assessments of the subject property, which have increased steadily.

Jordan explained that Suntken's income was very similar to what they found in the market. Therefore, they used Suntken's actual income because it was considered to be market rent. Suntken's expenses were a little less than that normally seen in the market and, as a result, the market expenses were used in the income approach. For example, a market vacancy of 8% was used in the analysis, which is higher than what Suntken reported as his actual vacancy and collection loss. The resulting net operating income (NOI) was \$7141, compared to the actual NOI of \$5796.

Jordan explained the development of the capitalization rate was based on available sales and the median capitalization rate was 9.37%, which he believed was reasonable. He testified the

capitalization rate was high because of the nature of the properties and the inherent risk associated with the property type. The overall capitalization rate used in the income approach was 13.74%, which includes the effective tax rate.

$$\text{\$7141 NOI} / 13.74\% \text{ capitalization rate} = \text{\$51,972 (Rounded \$52,000)}$$

Jordan testified this was the same method of valuation used on all the conversions in Sioux City.

### ***Conclusion of Law***

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). "Market value" essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* Conversely, a sales price in an abnormal transaction is not to be taken into account unless the distorting factors can be clearly accounted for. *Id.* If sales are not available, "other factors" may be considered

in arriving at market value, including the property's earning capacity. § 441.21(2). The assessed value of the property shall be one hundred percent of its actual value. § 441.21(1)(a).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995).

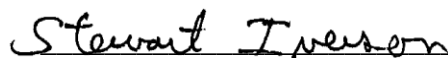
Suntken submitted five comparable properties for consideration. However, two of the sales were purchased by a government entity and reflect land value; one property has not sold recently; one sale was a contract sale and occurred well after the assessment date; and one was a bank sale, yet it was unadjusted for this factor. Lastly, Suntken did not adjust any of the sales for differences between them and the subject property, and he did not conclude a market value opinion as of January 1, 2013. For these reasons, we find Suntken failed to provide sufficient evidence to support a claim that his property was over-assessed.

THE APPEAL BOARD ORDERS the assessment of the Jeff Suntken's property located at 1405 Grandview Boulevard, Sioux City, Iowa, as set by the Sioux City Board of Review is affirmed.

Dated this 13th day of January, 2014.



Karen Oberman, Presiding Officer



Stewart Iverson, Board Chair



Jacqueline Rypma, Board Member

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